

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

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FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 1759

INFO AMEMBASSY PANAMA

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E.O. 11652: N/A

TAGS: ECON, CS, BTRA

SUBJECT: BANANAS/VISIT OF UNITED BRANDS PRESIDENT

1. EXCELSIOR OF OCTOBER 16 REPORTED THAT UNITED BRANDS PRESIDENT, WALLACE BOOTH, WILL SOON VISIT COSTA RICA TO ESTABLISH THE BASIS FOR A NEW RELATIONSHIP BETWEEN THE BANANA COMPANY AND COSTA RICA. AS PART OF THE NEW RELATIONSHIP IT IS EXPECTED, ACCORDING TO THE EXCELSIOR REPORT, THAT THE COMPANY WOULD WITHDRAW ITS LEGAL SUIT AGAINST THE BANANA TAX. THE ARTICLE MADE NO MENTION GJ BOOTH'S VISIT HERE LAST WEEK.

2. BOOTH CALLED ON CHARGE AND EMBASSY'S ECONOMIC OFFICER ON OCTOBER 10. THE PRIMARY REASON FOR HIS VISIT WAS TO MEET UNITED BRANDS PERSONNEL AND INSPECT COMPANY OPERATIONS. NO SPECIAL EFFORT WAS MADE TO ARRANGE MEETINGS WITH COSTA RICAN OFFICIALS BUT THE GOVERNMENT WAS INFORMED OF THE VISIT AND PRESIDENT ODUBER INDICATED A DESIRE TO RECEIVE BOOTH. AS IT TURNED OUT, HOWEVER, THE TWO WERE NOT ABLE TO GET TOGETHER BECAUSE OF COMMITMENTS ODUBER HAD OUTSIDE OF THE CAPITOL.

3. BOTH INDICATED TO EMBOFFS THE PRINCIPAL QUESTION FACING THE
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COMPANY WAS WHAT TO DO ABOUT THE COMPANY'S LEGAL ACTION

AGAINST THE COSTA RICAN BANANA TAX. BOOTH FEARED THAT IF THE COMPANY WON ITS CASE, WHICH SEEMED QUITE POSSIBLE, THE GOVERNMENT WOULD BE PUT INTO A VERY DIFFICULT POSITION. SUCH A PUBLIC REPUDIATION OF THE GOVERNMENT'S POSITION WOULD THREATEN THE IMPROVED RELATIONS THAT SEEMED TO BE DEVELOPING BETWEEN THE COMPANY AND COSTA RICA. MOREOVER, THE POSSIBILITY THAT THE GOVERNMENT WOULD BE WILLING OR EVEN ABLE TO REPAY BANANA TAXES

TO THE COMPANY SEEMED ALMOST NIL. BOOTH ASKED WHAT ADVICE THE EMBASSY HAD WITH RESPECT TO THIS PROBLEM.

4. EMBOFFS TOLD BOOTH THAT UNITED BRANDS APPEARS TO HAVE GAINED CONSIDERABLE GOOD WILL IN COSTA RICA BY ITS WISE DECISION TO SELL UNUSED LAND TO THE COSTA RICAN GOVERNMENT. IT MIGHT BE UNWISE TO GO THROUGH WITH A COURT CASE THAT THE COMPANY COULD PROBABLY WIN BUT FROM WHICH NO PRACTICAL BENEFITS COULD BE EXPECTED TO FLOW. ON THE OTHER HAND, THE LEGAL PRINCIPLES IN THE COMPANY'S COURT ACTION APPEAR TO BE WELL WORTH CONSERVING. EMBOFFS THOUGHT IT WOULD BE BEST IF UNITED BRANDS COULD FIND A WAY TO WITHDRAW ITS LEGAL SUIT AS PART OF SOME KIND OF OVERALL SETTLEMENT WITH THE COSTA RICAN GOVERNMENT, WITHOUT UNDERMINING THE LEGAL PRINCIPLES ON WHICH THE SUIT WAS BASED. BOOTH SEEMED TO AGREE AND IN FACT HIS OWN THOUGHTS APPEARED TO RUN ALONG THE SAME LINES.

5. COMPANY OFFICIALS WITH WHOM EMBASSY CHECKED ON OCTOBER 16 WAS NOT AWARE OF ANY PLANS FOR A RETURN VISIT BY BOOTH. HOWEVER, HE WAS CHECKING PRESS REPORTS AND PROMISED TO ADVISE EMBASSY. IF BOOTH VISITS PANAMA AGAIN IN MID-NOVEMBER AS SUGGESTED PANAMA 5459, HE MIGHT WELL MAKE A RETURN VISIT TO COSTA RICA AT THAT TIME ALSO. LANE

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